

**Introduced by Senator Hernandez**

February 16, 2016

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An act to amend Section 128740 of, and to add Section 1253.7 to, the Health and Safety Code, relating to health care.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 1076, as introduced, Hernandez. General acute care hospitals: observation services.

(1) Existing law establishes the State Department of Public Health and sets forth its powers and duties, including, but not limited to, the licensing and regulation of health facilities, including, but not limited to, general acute care hospitals. A violation of these provisions is a crime.

Existing law authorizes the department to issue a special permit authorizing a health facility to offer one or more special services when specified requirements are met. Existing law requires general acute care hospitals to apply for supplemental services approval and requires the department, upon issuance and renewal of a license for certain health facilities, to separately identify on the license each supplemental service.

This bill would require a general acute care hospital that provides observation services, as defined, to comply with the same staffing standards as supplemental emergency services, as specified. The bill would require that a patient receiving observation services receive written notice immediately upon admission for observation services or placement into observation status, or immediately following a change from inpatient status to observation status, that his or her care is being provided on an outpatient basis. The bill would require observation units to be identified with specified signage, and would clarify that a general acute care hospital providing services described in the bill would

not be exempt from these requirements because the hospital identifies those services by a name or term other than that used in the bill. Because a violation of these provisions by a health facility would be a crime, the bill would impose a state-mandated local program.

(2) Existing law requires a hospital to report specified summary financial and utilization data to the Office of Statewide Health Planning and Development (OSHPD) within 45 days of the end of every calendar quarter.

This bill would require hospitals to include certain data relating to observation service visits and total observation service gross revenues in the reports filed with OSHPD.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 1253.7 is added to the Health and Safety  
2     Code, to read:  
3     1253.7. (a) For purposes of this chapter, “observation services”  
4     means outpatient services provided by a general acute care hospital,  
5     to those patients who have unstable or uncertain conditions  
6     potentially serious enough to warrant close observation, but not  
7     so serious as to warrant inpatient admission to the hospital.  
8     Observation services may include the use of a bed, monitoring by  
9     nursing and other staff, and any other services that are reasonable  
10    and necessary to safely evaluate a patient’s condition or determine  
11    the need for a possible inpatient admission to the hospital.  
12    (b) Notwithstanding subdivisions (d) and (e) of Section 1275,  
13    observation services provided by the general acute care hospital  
14    in an outpatient observation unit, including the services provided  
15    in a freestanding physical plant, as defined in subdivision (h) of  
16    Section 1275, shall comply with the same staffing standards,  
17    including, but not limited to, licensed nurse-to-patient ratios, as  
18    supplemental emergency services.

(c) A patient receiving observation services shall receive written notice immediately upon admission for observation services or placement into observation status, or immediately following a change from inpatient status to observation status, that his or her care is being provided on an outpatient basis, and that this may affect reimbursement by Medicare, Medi-Cal, or private payers of health care services, or cost-sharing arrangements through his or her health care coverage.

(d) Observation units not provided in inpatient beds or attached to emergency services shall be marked with signage identifying the area as an outpatient area. The signage shall use the term “outpatient” in the title of the designated area to indicate clearly to all patients and family members that the observation services provided in the center are not inpatient services.

(e) Observation services shall be deemed outpatient or ambulatory services that are revenue-producing cost centers associated with hospital-based or satellite services locations that emphasize outpatient care. Identifying an observation unit by a name or term other than that used in this subdivision does not exempt the general acute care hospital from compliance with the requirements of this section.

SEC. 2. Section 128740 of the Health and Safety Code is amended to read:

128740. (a) Commencing with the first calendar quarter of 1992, the following summary financial and utilization data shall be reported to the office by each hospital within 45 days of the end of every calendar quarter. Adjusted reports reflecting changes as a result of audited financial statements may be filed within four months of the close of the hospital’s fiscal or calendar year. The quarterly summary financial and utilization data shall conform to the uniform description of accounts as contained in the Accounting and Reporting Manual for California Hospitals and shall include all of the following:

- (1) Number of licensed beds.
- (2) Average number of available beds.
- (3) Average number of staffed beds.
- (4) Number of discharges.
- (5) Number of inpatient days.
- (6) Number of outpatient ~~visits~~: *visits, excluding observation service visits.*

- 1     (7) *Number of observation service visits and number of hours*  
2 *of services provided.*  
3     ~~(7)~~  
4     (8) Total operating expenses.  
5     ~~(8)~~  
6     (9) Total inpatient gross revenues by payer, including Medicare,  
7 Medi-Cal, county indigent programs, other third parties, and other  
8 payers.  
9     ~~(9)~~  
10    (10) Total outpatient gross revenues by payer, including  
11 Medicare, Medi-Cal, county indigent programs, other third parties,  
12 and other payers.  
13    (11) *Total observation service gross revenues by payer;*  
14 *including Medicare, Medi-Cal, county indigent programs, other*  
15 *third parties, and other payers.*  
16    ~~(10)~~  
17    (12) Deductions from revenue in total and by component,  
18 including the following: Medicare contractual adjustments,  
19 Medi-Cal contractual adjustments, and county indigent program  
20 contractual adjustments, other contractual adjustments, bad debts,  
21 charity care, restricted donations and subsidies for indigents,  
22 support for clinical teaching, teaching allowances, and other  
23 deductions.  
24    ~~(11)~~  
25    (13) Total capital expenditures.  
26    ~~(12)~~  
27    (14) Total net fixed assets.  
28    ~~(13)~~  
29    (15) Total number of inpatient days, outpatient ~~visits~~, *visits*  
30 *excluding observation services, observation services, and*  
31 *discharges by payer, including Medicare, Medi-Cal, county*  
32 *indigent programs, other third parties, self-pay, charity, and other*  
33 *payers.*  
34    ~~(14)~~  
35    (16) Total net patient revenues by payer including Medicare,  
36 Medi-Cal, county indigent programs, other third parties, and other  
37 payers.  
38    ~~(15)~~  
39    (17) Other operating revenue.  
40    ~~(16)~~

1 (18) Nonoperating revenue net of nonoperating expenses.

2 (b) Hospitals reporting pursuant to subdivision (d) of Section  
3 128760 may provide the items in paragraphs ~~(7), (8), (9), (10),~~  
4 ~~(14), (15), and (16)~~ (8), (9), (10), (12), (16), and (18) of subdivision  
5 (a) on a group basis, as described in subdivision ~~(d)~~ (f) of Section  
6 128760.

7 (c) The office shall make available ~~at cost, to any person, to any~~  
8 *person, at cost*, a hard copy of any hospital report made pursuant  
9 to this section and in addition to hard copies, shall make available  
10 at cost, a computer tape of all reports made pursuant to this section  
11 within 105 days of the end of every calendar quarter.

12 (d) The office shall adopt ~~by regulation guidelines~~ *guidelines*,  
13 *by regulation*, for the identification, assessment, and reporting of  
14 charity care services. In establishing the guidelines, the office shall  
15 consider the principles and practices recommended by professional  
16 health care industry accounting associations for differentiating  
17 between charity services and bad debts. The office shall further  
18 conduct the onsite validations of health facility accounting and  
19 reporting procedures and records as are necessary to ~~assure~~ *ensure*  
20 that reported data are consistent with regulatory guidelines.

21 ~~This section shall become operative January 1, 1992.~~

22 SEC. 3. No reimbursement is required by this act pursuant to  
23 Section 6 of Article XIII B of the California Constitution because  
24 the only costs that may be incurred by a local agency or school  
25 district will be incurred because this act creates a new crime or  
26 infraction, eliminates a crime or infraction, or changes the penalty  
27 for a crime or infraction, within the meaning of Section 17556 of  
28 the Government Code, or changes the definition of a crime within  
29 the meaning of Section 6 of Article XIII B of the California  
30 Constitution.